


ST 2303 - SALES TAX : DRAWINGS, SKETCHES AND ARTWORK FOR USE IN THE PRODUCTION OF PRINTING BLOCKS OR PLATES

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TAXATION RULING NO. ST 2303

SALES TAX : DRAWINGS, SKETCHES AND ARTWORK FOR USE IN
THE PRODUCTION OF PRINTING BLOCKS OR PLATES

F.O.I. EMBARGO: May be released

REF

H.O. REF: ST 22/P1 Pt.3

DATE OF EFFECT:

B.O. REF:

DATE ORIG. MEMO ISSUED:

F.O.I. INDEX DETAIL

REFERENCE NO:	SUBJECT REFS:	LEGISLAT. REFS:
I 1206706	ARTWORK, NEGATIVES AND POSITIVES FOR USE IN THE PRODUCTION OF PRINTING BLOCKS OR PLATES	SALES TAX (EXEMPTIONS AND CLASSIFICATIONS) ACT; ITEM 52, FIRST SCHEDULE

PREAMBLE

Sub-item 52(3) in the First Schedule to the Sales Tax (Exemptions and Classifications) Act provides exemption for drawings, sketches, cartoons, pictures, photographs, printed matter and combinations of any of those goods for use in connection with the production of printing plates or photographic negatives and diapositives which in turn are for use in the production of printing plates.

2. Where a person purchases artwork directly from a commercial artist for the purposes of having printed matter produced, exemption from sales tax is obtained by the person furnishing the appropriate certificate of exemption to the commercial artist. In some cases, however, the printer or plate maker is asked to arrange for the artwork to be produced in addition to the blocks, plates and printed matter. Where artwork is supplied in this latter situation the question has arisen whether the artwork loses its exemption, i.e. whether it forms part of the sale value of the printed matter produced where the printed matter is taxable.

RULING

3. The treatment of artwork for use in the production of printing plates is outlined in paragraphs 127 to 129 of Australian Sales Tax. It is stated there that, for the artwork not to form part of the taxable sale value, there must be a separate sale of the artwork.

4. For the artwork to be accepted as the subject of a separate sale there would need to be evidence. A separate agreement for the sale of the artwork would be appropriate. The method of invoicing is not conclusive, i.e. whether the artwork is invoiced separately or shown as a separate item on the invoice for the taxable printed matter does not establish that there has been a separate sale of the artwork.

5. In many cases, however, separate agreements between the customer and the printer are not entered into. In the absence of a separate agreement there would need to be some other evidence to support the separate sale of the artwork. This may be ascertained from the dealings of the parties. For example, a printer may have arranged to have the artwork produced by

another person on behalf of the customer and the artwork will need to be approved by the customer before printing proceeds. The printer will effectively be acting as agent for the customer in procuring the artwork although he will pass the cost on to the customer.

6. Provided there is clear evidence of a separate sale of the artwork, exemption under sub-item 52(3) will apply irrespective of whether the artwork is invoiced separately or shown as a separate amount on the invoice along with printed matter.

7. If there is no evidence of a separate sale of the artwork the cost of the artwork forms part of the taxable sale value, whether or not the artwork is invoiced separately. The sale value of taxable printed matter is not reduced by the separate invoicing of artwork where the artwork is a cost incurred by the printer in producing the taxable printed matter.

COMMISSIONER OF TAXATION
13 November 1986